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Companies and Consumers:

Navigating through influencers and triggers

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nielsen

Introduction

There is a lot of decision making involved in music.

Consumers: with a myriad of music consumption options and a vast music universe, music consumers make frequent decisions on what and how to listen and what to purchase.

The music industry: which has to make decisions within a complex and fragmented marketplace. At a macro level, deciding what directions to take within the overall business and on a micro level what promotion/marketing/distribution to favour?

In this Nielsen paper, we look at key elements which help companies and consumers to navigate - information, awareness, exposure – all of which prompt decision making.

The traditional and new world of music…

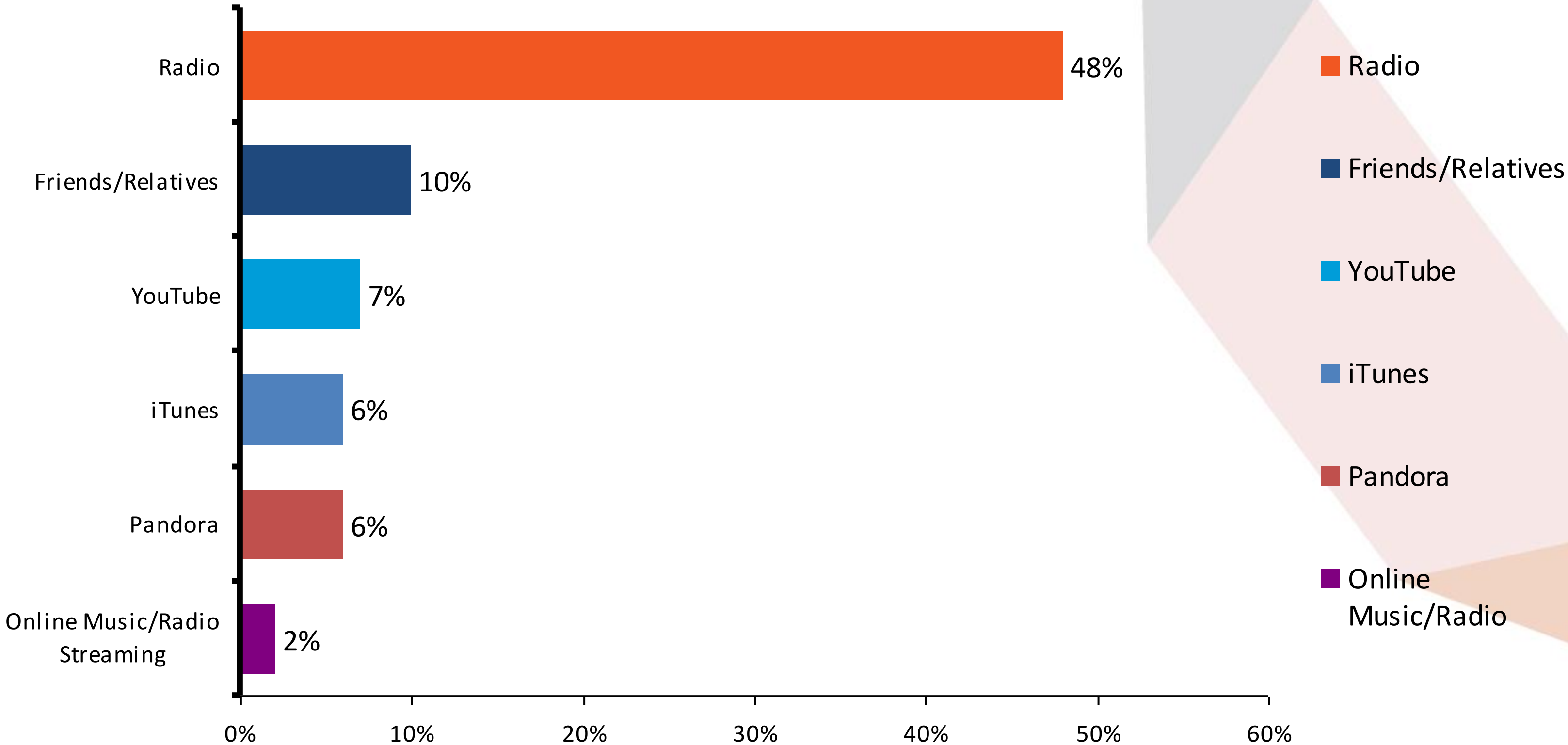
In a world in which music is listened to more than ever (this is not just a myth); music is a daily activity for the majority. Nielsen's comprehensive study from summer 2012, the US Music 360, informs us that nearly 70% of Americans aged 13+ actively listen to music at least once a day, and 90% of people actively listen to music several times a week. Indeed, consumers are now benefiting from a myriad of music consumption options and a vast music universe. In addition to the old world (radio, CD, recommendations from journalists), a new world of music access and information has developed and is part of nearly everyone's daily life (digital downloads, music streaming, social media, blogs and forums). What then, within a world of infinite knowledge, really influences and triggers their choices?

…where old school meets new school.

Music consumers' motives for listening and purchasing music vary, a need for escapism or mood management, an interest in the artist – but ultimately we seek enjoyment from the music. Within media entertainment, consumers make decisions on what to listen to, what to watch and how to consume. But how much thought goes into making these decisions? It can vary from pre-meditated, complex, reflective decisions to decisions which are an impulsive choice based on location or a spontaneous preference for mood regulation. For example, a fan of chill-out music, one who already enjoys Zero7 and Air may very consciously decide to listen to the new Toro y Moi album. Or the only choice a listener may make is to switch on a particular radio station. And radio is a key awareness builder and therefore a trigger in subsequent music selection.

US consumers claim that radio is, by far, the primary source of music discovery (48% of US consumers encounter new music on the radio compared with 10% who discover new music from friends/relatives or 7% from YouTube). Discovery via digital music channels is not as established, certainly not for the mass market users.

How do you discover music most often?



Source: Nielsen Music 360 (US) report used to listen to music (base = total)

Radio - a key exposure channel, but what are the constraints?

As radio remains the favoured music discovery channel (and therefore a key promotion channel for labels and artists) does it offer a wide range of music choice? The answer depends on the size of country and the radio format. Nielsen Music measure the main public and commercial radio stations across the USA, Canada, Mexico, and Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, and the UK).

The below chart shows the total unique songs broadcast during 2012 in the respective countries.

Country	Total unique songs broadcast across all radio	Music radio station broadcasting greatest variety	Music radio station broadcasting fewest songs
UK	58,000	11,600	1,100
Sweden	17,000	7,500	850
Germany	86,000	6,700	1,300
Netherlands	26,000	8,700	1,200
Belgium	40,000	8,100	3,500
Italy	28,000	5,000	1,100
Denmark	17,000	9,000	1,300

Source: Nielsen Music European radio data

Radio audiences are being exposed to a limited fraction of the millions of songs available to download from digital retailers or to stream from audio and video streaming services.

Depending on your choice of radio station, the variety narrows further.

Correlation between radio exposure and music sales still prevalent:

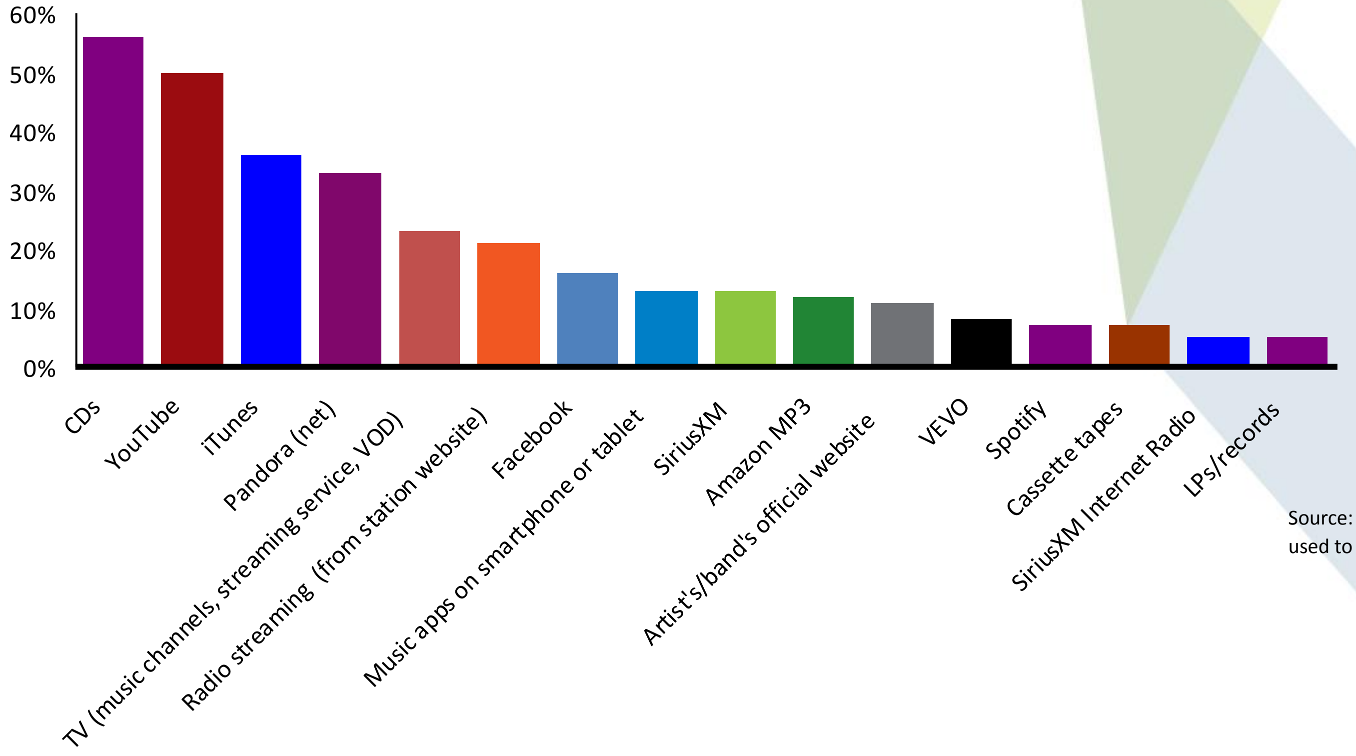
This does not mean that there is no possible or successful path for artists outside of the radio funnel, as the beauty of the internet facilitates connecting to an audience via other means; there is however a strong correlation between popular downloads and radio airplay. The top artists and songs usually benefit from strong radio support. There are exceptions - internet ‘buzz’ (Gangnam Style’s rise via YouTube) or TV exposure via TV (especially talent shows).

Looking beyond discovery, the sources of music consumption are a fascinating mix of old and new channels.

Sources and platforms of music consumption are ever more fragmented and complementary

Nielsen identified through its Music 360 study that consumers' listening habits are a combination of both traditional and new channels. Radio and CD still top the list, with newer digital access following, most notably YouTube, digital download retail and streaming.

How do you consume music?



Source: Nielsen Music 360 (US) report
used to listen to music (base = total)

The same diversity applies to consumption via devices and platforms, as follows:

Computer **44%**

Radio **42%**

CD player (personal/stereo) **39%**

iPod (other than phone) **27%** MP3 player (other than an iPod or phone) **17%**

Portable media player (other than an MP3 player, iPod, iPhone) **9 %**

Home stereo **23%**

TV **21%**

Android phone **13%** iPhone **12%** Smartphone (other than an iPhone or Android) **7 %**

Satellite Radio Receiver **10%**

Source: Nielsen Music 360 (US) report
used to listen to music (base = total)

Companies in the music world are navigating through this sophisticated "ecosystem", which encompasses channels of promoting/marketing, channels of distributing and raising revenue (often one and the same), and the devices that allow the channels to convey music to its audience.

The digital music world is slowly reshaping consumers' habits

Historically music consumption was either a passive choice or an active choice. Passive choice was the broadcast media (radio, television, live, clubs, etc.). And an active choice was the purchase and subsequent listening of owned recorded material. As discussed, the most popular of the broadcast media is radio – which is free at the point of use to the consumer. Other than choosing the format/station there is no active choice made in what music to listen to. At the other end of the scale – where the consumer has all the choice is the purchased and owned recorded media. The consumer here chooses exactly what to listen to and when, they curate their own playlist.

Streaming services offer a way in between passive and active listeners:

In recent years streaming services have entered the market slotting in-between passive and active music choice. Services such as Pandora (which is only available in the US, Australia and New Zealand) requires users to select a genre or "station" to listen to and then curates the music within that genre, allowing users to tweak the station according to their preferences as they listen. On-demand streaming services, such as Spotify, Deezer, Rdio and MOG all allow users to select exactly the music to which they wish to listen. These services also provide the option to curate playlists, subscribe to others' playlists and an algorithm based radio function.

Challenge (and opportunity) number 1 for audio streaming websites: the abundance of choice - beauty and the beast?

On most streaming services, the majority of users decide what they wish to listen to from an almost exhaustive list of on average 20 million songs; as a music consumer, how do you make sense out of 20 million songs? Unlimited music access and discovery (the beauty) and decision fatigue (the beast) are real challenges. Audio streaming services are all well aware of the situation. In a nod to this, Daniel Ek, CEO of Spotify quotes user feedback "Spotify is great when I know what I want to listen to, but not so great when I don't" [1].

A number of services have announced their intention to build on the current service. Spotify, Deezer, Rdio and MySpace have all upped their association with artists, whether to promote their new music, engage directly with fans, to curate playlists or to be ambitious in the field of editorial. In an attempt to develop outside of a perceived "unlimited music jukebox" model and as more of a direct link to the listeners. The potential is there to build engagement and to direct user listening behaviours.

1. http://www.guardian.co.uk/technology/2012/dec/06/spotify-daniel-ek-interview – 6th December 2012

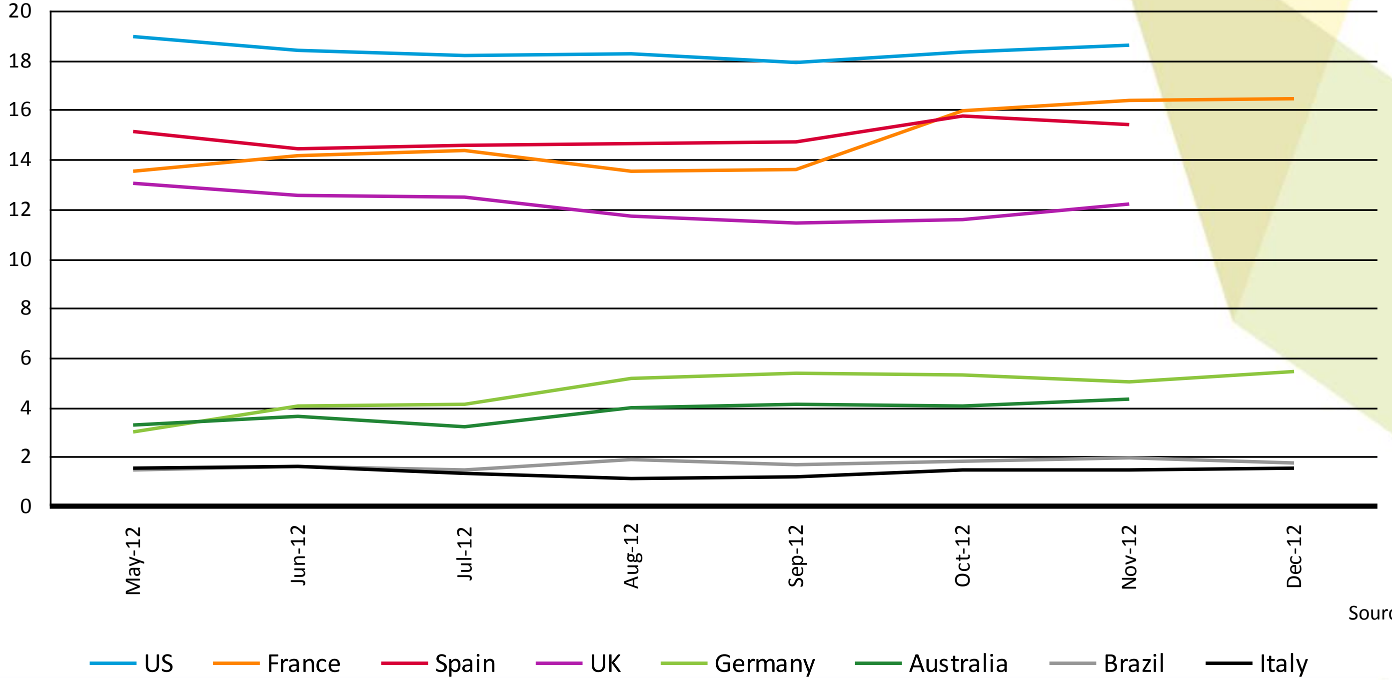
Challenge (and opportunity) number 2 for audio streaming websites: growing the audience of a promising channel

Increasing adoption of services is the goal for the services which need to cross the chasm between the early adopters into the mainstream of consumer behaviour – although there is now a sense of inevitability in this goal. Awareness development and explanation of the service facets are still required to gain the interest of potential users.

As new streaming services launch in a greater numbers and with increased frequency, consumers are adopting these newer streaming services. The graphic below shows active reach - % of the online population that visit an online music streaming service at least once in the given month.

Over the last 6 months active reach is stable, with France showing the largest increase across countries.

Percentage Active Reach of Audio Streaming Sites



Source: Nielsen Netview

There is a noticeable difference in % reach between countries, and a clear distinction between those countries where audio streaming is more established and those where it is not. Spotify launched in Australia in May 2012 and has yet to launch in Italy. Germany shows an increase in audio streaming active reach over the year – Spotify launched in March 2012. Global expansion is certainly the phrase of the moment, during 2012 Deezer expanded to cover 160 countries worldwide and Rhapsody, following its purchase of Napster during 2012, announced the intention to launch in 16 European markets during 2013. With new entrants in the market, such as the newly anticipated Beats streaming service (following the purchase of MOG), 2013 looks to be a year of power play for streaming service market share amongst a growing consumer user group.

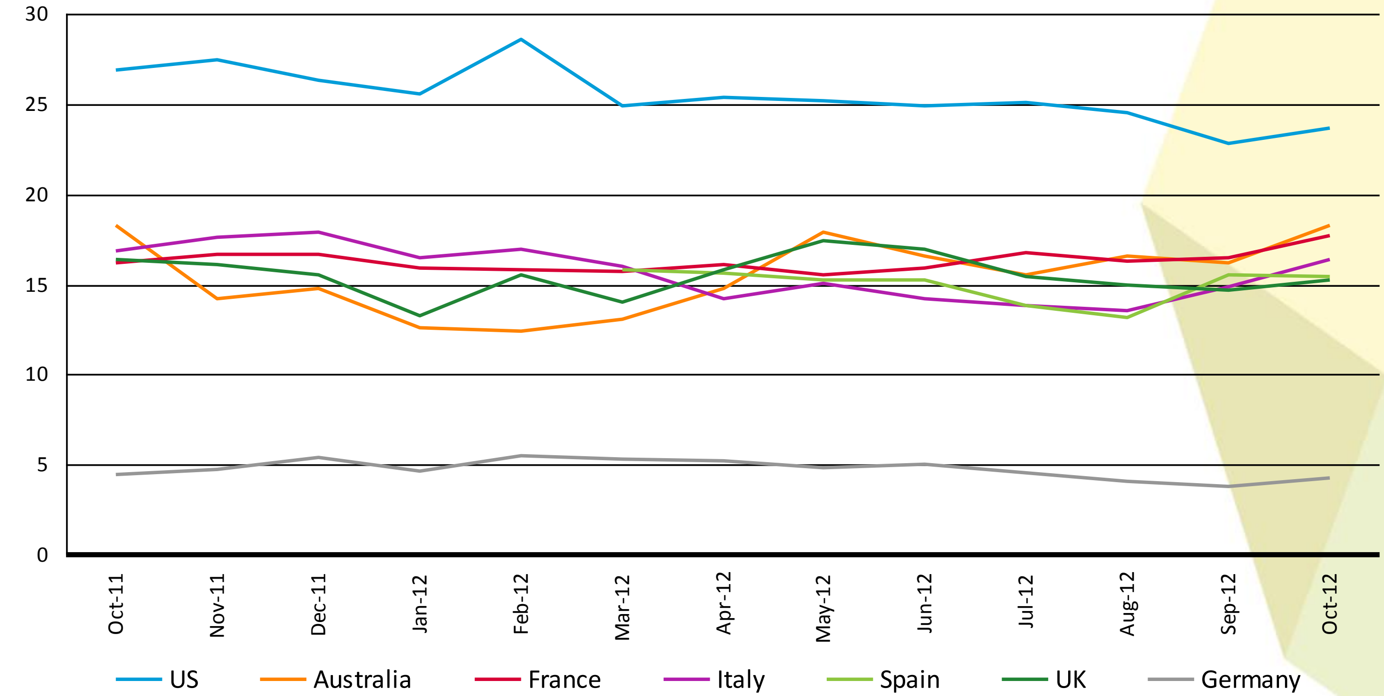
Is there now any reason why these services will not soon reach and exceed the audience level of video streaming services?

Music video websites have been a success story, from an audience standpoint

Consumers have consistently claimed that video streaming websites have been a key source in accessing music. The number of consumers opting to watch music videos online is large - driven predominantly by their free (and fun) nature, easy access, and vast music catalogues. YouTube is mentioned by 50-60% of music listeners as a music source (Nielsen's US Music 360 survey – Summer 2012).

The below graphic shows the active reach of specific music video streaming sites (thereby excluding YouTube), with a noticeable peak in the US in February (the month of the Grammys) and in Australia in May 2012 (when Vevo launched). For most countries, the active reach of music streaming sites is already similar to that of audio streaming sites. In the US and in Australia, video streaming visits outstrip the audio streaming site visits, with France, Spain and Germany all showing a similar active reach to audio. In Italy – where there are no major streaming services launched, video streaming is a popular choice at over 15% of the total internet population visiting a site at least once a week.

Percentage Active Reach of Video Streaming Sites



Source: Nielsen

However, as with audio streaming services, music choice is a user decision. In light of this, to engage users more and to increase the length of stay on their service - services such as YouTube, Vevo and MTVMusic have developed artist and genre channels and user-generated playlist options.

The crossover between radio, streaming and sales: the influence of charts on decisions, myth or reality?

The initial instigation of music sales charts years ago was to direct and inform the consumer on what was popular, with such a vast canon of popular music to choose from, the consumer can never make a fully informed decision and must “satisfice” – make a decision based on acceptability rather than optimised information. Charts assist music users to satisfice in discovering new music. But how does music cross over on charts?

A very cursory glance at the US Top 10s from Billboard (using Nielsen SoundScan and BDS data) shows the extent of crossover in the top popularity between different services. We compared the Top 10 selling digital songs, most played songs, most streamed songs and most streamed music videos of 2012.

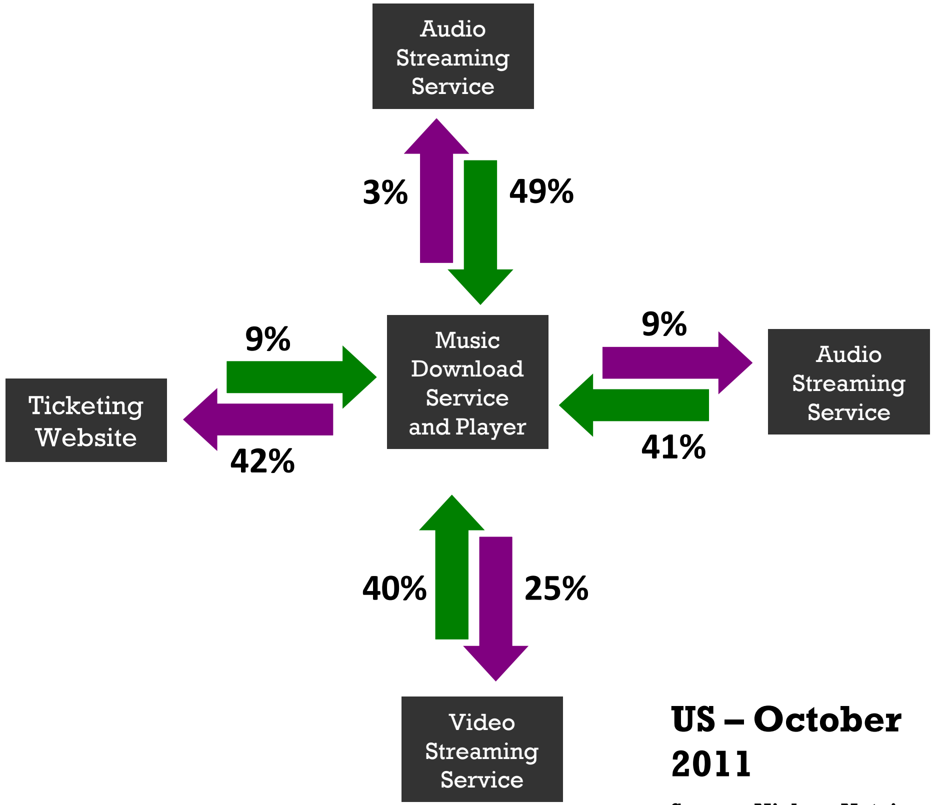
Present on all 4 Top 10 charts		3 of 4 Top 10 Charts	
Call Me Maybe	Carly Rae Jepsen	Somebody that I used to know	Gotye Ft. Kimbra
Payphone	Maroon 5 Ft. Wiz Khalifa	We are Young	Fun. Ft. Janelle Monae

There are two songs which appear in all four Top 10 charts and two that appear on 3 of the 4 charts. It will come as no surprise that a popular song one chart is a popular song on another – once a song enters public consciousness it will consumed via any media. The video streaming chart is the least similar to the other charts, possibly because the addition of the video element implies an alternate reason for choosing specific songs – not for the audio alone. The audio streaming and radio charts are most similar – does one have an impact on the other?

Busting with life in the digital music ecosystem - digital services are complementing each other

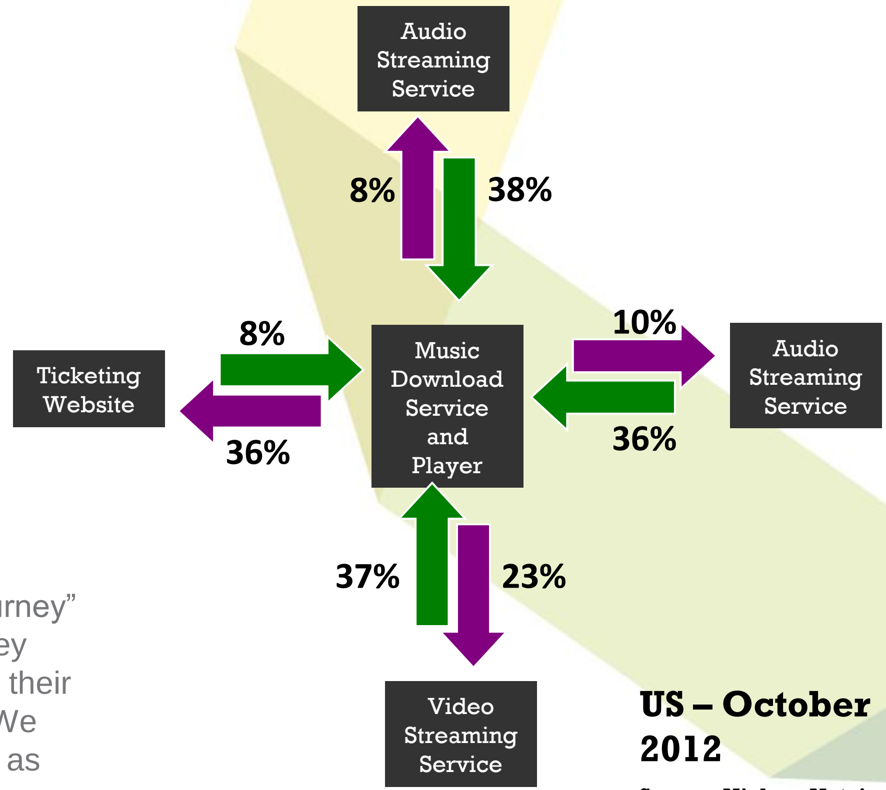
The use of another music services to make decisions in another is highlighted in the overlap that occurs between types of services and applications. The below diagram (although divulging the names of the sites and apps in question), outlines the percentage of users who visit more than one site in a given month, and the influence that one has over the other (with the main music download service and player remaining the predominant online music service).

For example, in the US, during October 2012, 8% of the major ticketing site's audience also went to the main music download service and player, whilst 36% of this main music downloads service and player went to the ticketing website. The audio and video streaming websites are also benefiting from these interconnections between services: 37% of the major video streaming site’s users also use the main music downloads service and player (and the other way around is true for 23% of users). The diagram also highlights the year-on-year change – where there is an increase in the crossover between streaming (audio and video) sites and the sales service and a slight decrease with the ticketing website.



US – October 2011

Source: Nielsen Netview



US – October 2012

Source: Nielsen Netview

Using this methodology, a more sophisticated “consumer journey” approach can describe how consumers fulfil their needs. They jump (or not) from service to service or site to site, based on their awareness and knowledge of the music services out there. We may be surprised that not all music consumers are as savvy as music business executives!

Conclusions

Companies and consumers are navigating through a music landscape with the use of influencers and triggers. Despite the exciting variety of music and information sources, radio remains a critical discovery influencer (and also a main channel for music consumption). The digital world has brought some fascinating new tools and services, which aim at promoting and marketing music (and artists), and at generating revenue (direct and indirect).

From a consumer standpoint, the most successful active online channel for consuming music is represented by video streaming sites. Audio streaming is on the rise too: covering more geographies and including expanded catalogues. And last but not least, significantly improved features and editorial help consumers make informed choices about what to listen to.

Finally, and most interestingly, the general rise in crossover between different music services may highlight consumer comfort with the variety of options on offer. Given this cross over of sites, a hat tip to the music industry may be that the consumer wants a holistic approach – a one stop shop - a new standard encouraging the maximization of revenue by the maximisation of availability. Any music, anytime, anywhere; and on any device or platform, and in any format.

Appendix

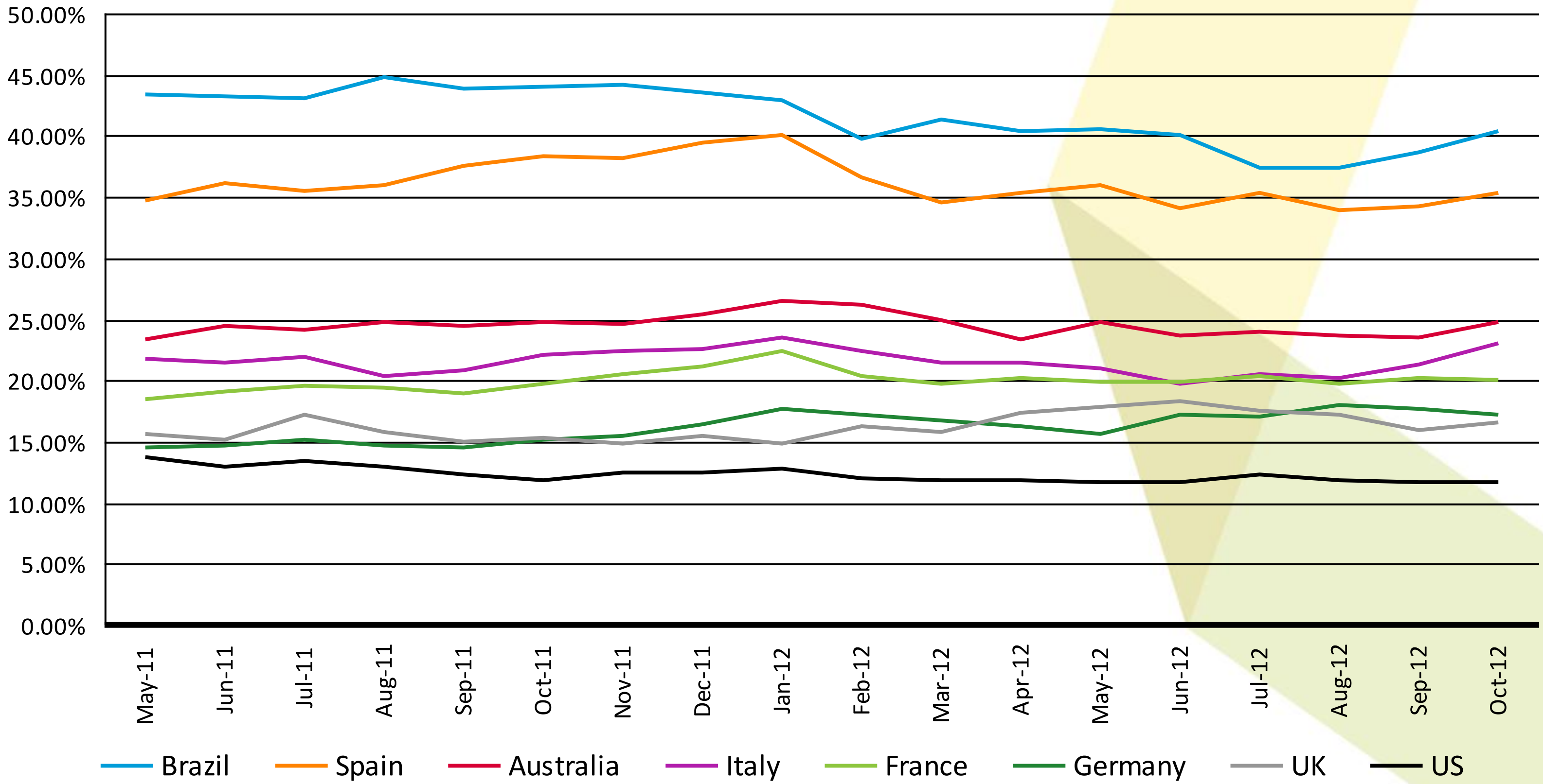
The fight against piracy is still on the agenda. There seem to be no discussion about launching and developing new and attractive services and models, without reference to piracy. And indeed, despite the industry's attempts to discourage the piracy of music, some music users continue to decide to obtain their music via illegal means, with certain countries more significant culprits than others. Rights holders and the governments in their respective countries have fought piracy with two main legislative measures (site blocking and a graduated response to pirating consumers) on one hand, and the promotion of legal alternatives (free legal alternative such as the "freemium"/ad-funded tiers of audio streaming services) on the other.

Site blocking is a popular and effective method practised in most countries (Spain implementing legislation in January 2012). The marked drop off in users to Spain and Brazil's illegal download sites is attributed to the closure of Megaupload (The domain names were seized and the sites associated with Megaupload shut down by the United States Department of Justice on 19 January 2012). A slight drop in active reach can also be seen in all countries across the year. However, there are multiple sites that offer similar services and users often move to an alternate site rather than modifying their behaviour.

In the US, the site Limewire was closed down in May 2012 and Grooveshark is in litigation. Alongside the July 2012 launch of a US 6-step "Copyright Alert System", or graduated response to users who obtain pirated content via p2p systems. This may account for the drop in US active users visiting illegal sites during 2012. Graduated response systems have been proposed in a number of countries. Implemented in France in 2009 the HADOPI system has reportedly seen a drop in p2p activity (IFPI/Nielsen).

As legal alternatives to free music continue to gain popularity and additional legislation is implemented Nielsen will continue to monitor changes in illegal online activity.

Percentage Active Reach of File Sharing, P2P and Hosting Sites



Source: Nielsen

Sources

- Nielsen NetView panels: custom sector analysis, active reach, total users and average sessions per user of the Internet sites and applications from Nielsen Internet metered panels. The panels cover internet activity on both home and work computers. Our core NetView product is run on our RDD//Online methodology in each market. This is a proprietary methodology and has been designed to marry the representativeness of a gold standard Random Digit Dial (RDD) panel with the depth provided by an online-recruited panel. Our system tracks behaviour for websites and applications in all countries.

- Nielsen SoundScan measures U.S. and Canada point-of-sale of recorded music product – physical and digital. Nielsen SoundScan International: Digital download sales monitored from over 400 digital service providers in 36 countries worldwide.

- Nielsen BDS tracks U.S. and Canada radio airplay and music streams. Nielsen Music International monitors around 1000 radio stations across 17 countries in Europe. Nielsen uses a audio recognition technology to identify music broadcast on radio.

- Nielsen Music 360 Study is a comprehensive, in-depth study of consumer interaction with music in the United States (3,000 surveys completed during May 2012 using Nielsen’s proprietary, high-quality ePanel).

Online panels per country

Category	UK
Music Video Streaming	VEVO, Muzu TV, Dailymotion Music, Virgin Media Music, MTV Networks Music, MSN Music
Music Audio Streaming	Napster, Mixcloud, Spotify, Deezer, Reverb Nation, Jango, Myspace, Last.fm, We7
Illegal Download	Websites such as The Pirate Bay, BitTorrent, Torrentz, BeeMP3, TorrentReactor, MP3 Skull
Category	**France**
Music Video Streaming	VEVO, Dailymotion, SFR Music, Orange Music, MTV Networks Music, Paroles de Clip, Ournia.com
Music Audio Streaming	Deezer, Spotify, MusicMe, Fun Radio, Last.fm, Jukebo, Radionomy, Musiqure Radio, Goom Radio, Jiwa,
Illegal Download	Websites such as The Pirate Bay, BitTorrent, Torrentz, BeeMP3, TorrentReactor, MP3 Skull
Category	**Germany**
Music Video Streaming	Tape.tv, DailymotionMusic, VEVO, MTV.com, Yavido
Music Audio Streaming	Spotify, Last.fm, Simfy, Deezer, Napster, Jango.com, musicstar
Illegal Download	Websites such as The Pirate Bay, BitTorrent, Torrentz, BeeMP3, TorrentReactor, MP3 Skull
Category	**Spain**
Music Video Streaming	VEVO, Dailymotion Music, Muzu TV
Music Audio Streaming	Spotify, Los40.com, Last.fm, Yes.fm, Rockola.fm
Illegal Download	Websites such as The Pirate Bay, BitTorrent, Torrentz, BeeMP3, TorrentReactor, MP3 Skull

Category	Italy
Music Video Streaming	VEVO, Virgilio Musica, Dailymotion Music, Muzu TV, Musictory
Music Audio Streaming	DADA, Last.fm, Deezer, Cubomusica, ReverbNation, Radionomy, Jango.com, Spotify
Illegal Download	Websites such as The Pirate Bay, BitTorrent, Torrentz, BeeMP3, TorrentReactor, MP3 Skull
Category	**Australia**
Music Video Streaming	VEVO, Ustream.tv, Dailymotion, ninemsn Video, MTV Netowrks Music
Music Audio Streaming	Napster, Rhapsody, Oi Rdio, Spotify, Last.fm, ReverbNation, Pandora.com
Illegal Download	Websites such as The Pirate Bay, BitTorrent, Torrentz, BeeMP3, TorrentReactor, MP3 Skull
Category	**Brazil**
Music Audio Streaming	Last.fm, Oi Rdio, Deezer, Reverb Nation, Spotify
Illegal Download	Websites such as The Pirate Bay, BitTorrent, Torrentz, BeeMP3, TorrentReactor, MP3 Skull
Category	**USA**
Music Video Streaming	VEVO, Yahoo Music, MTV Networks Music, DailyMotion, MSN Music, VH1.com, Contactmusic.com, Universal Motown Records Group Network, Baeble Music, Muzu TV,
Music Audio Streaming	Pandora, Spotify, Jango, Rhapsody, Napster, iMesh, Last.fm, ReverbNation, Live Mixtapes.com, Project Playlist, Slacker, Songza, Mog, Mix Cloud, Music Play On, AudioRealm, Blip.fm, Deezer, Goom Radio, Pure Tracks
Illegal Download	Websites such as The Pirate Bay, BitTorrent, Torrentz, BeeMP3, TorrentReactor, MP3 Skull

About the author

Nielsen Music is the measurement reference of the music industry, and the market data and research partner of choice for the music sector. Our local and international teams of research and music experts bring the best set of comprehensive, robust and quality insights to our music clients. With Nielsen Music, access, understand and interrogate:

• What music is played on radio and music television (airplay monitoring); we are the only respected and official brand for charts and provide detailed analysis with both local and international coverage. • What is sold (sales tracking); tracking of digital sales globally and physical sales in selected countries. • What is said and by whom; measurement of internet behaviour and consumer generated media (buzz). • What is advertised and where; complete advertising information. • Who your customers are: significant global consumer and ad-hoc research capabilities.
Nielsen Music is successfully working with more than 500 clients representing all elements of the music chain: record companies/music labels (majors and independents), radio and TV stations, music publishers, performing rights organisations, artists and their management, digital media and services, mobile phone companies, retailers, the video game/gaming industry, consultancy firms, and the media. Nielsen Music (www.nielsen-music.com) is a division of Nielsen (www.nielsen.com), the leading global market research company.

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